



A PHI Company

DELMARVA POWER & LIGHT COMPANY REQUEST FOR PROPOSALS INSTRUCTIONS TO BIDDERS

1. GENERAL

The purpose of this Request for Proposals (RFP) is to solicit proposals for the construction of New Generation Resource(s) (New Generation) within the State of Delaware that may result in Delmarva Power & Light Company (Delmarva or the Company) entering into a Power Purchase Agreement (PPA) to buy electric power (capacity, energy, and ancillary services) to supply a portion of Delmarva's Delaware Standard Offer Service (SOS) customer requirements. Such solicitation is required under the Electric Utility Retail Customer Supply Act of 2006 (the Act). Delmarva, in cooperation with the Delaware Public Service Commission, the Office of Management and Budget, the Controller General and the Delaware Energy Office (the "State Agencies"), pursuant to the Act shall determine whether these proposal(s) meet all threshold requirements, and among those proposals, shall select the highest rated one. Among those proposals, Delmarva and the Independent Consultant retained by the State Agencies shall perform a detailed evaluation in accordance with the criteria set forth in the RFP. Delmarva will evaluate the highest rated proposal(s) for evaluation under potential inclusion in Delmarva's Integrated Resource Plan (IRP). Those selected proposals satisfying Delmarva's needs under the IRP may be invited to sign a power purchase agreement (PPA) with the utility. Delmarva and the Independent Consultant will submit reports to the State Agencies regarding their recommendations as to whether Delmarva should enter into a PPA with one or more bidders who have submitted proposals in response to the RFP, and the State Agencies, pursuant to the Act, will determine which if any PPA should be approved and executed by Delmarva.

1.1 INTRODUCTION

Delmarva is seeking proposals for the purchase of electric power subject to the following:

1. The construction of New Generation shall be located in Delaware and be commercially operable no later than June 1, 2013 and not prior to the execution of the PPA. New Generation is defined as any generation resource which adds net generating capacity in the State. If bidders

propose to repower an existing facility, Delmarva shall only consider the incremental capacity compared to the megawatts in place before the repowering took place. For example, if a 150 MW facility is repowered, and replaced with a 200 MW unit, the amount that may be offered to Delmarva under this RFP shall be 50 MW. By contrast, if a bidder retires an existing generating unit, and adds another unit in the same location, the full amount of megawatts (up to 200 MW) shall be considered. Bidders may not retire a unit and propose to bring that unit back on line in order to qualify under this RFP; in that case, only incremental additions would be evaluated.

Technically, New Generation must satisfy the requirements of Manual 14A of the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") power pool and must satisfy, where applicable (e.g. for fossil generators emitting air pollutants) the permitting requirements for a major stationary source as defined in 40 C.F.R. Section 52.21(b)(1)(i) or 40 C.F.R. Section 52.24(f)(4)(i) and/or a modification to an existing source which is a major modification as defined in 40 C.F.R. Section 52.21(b)(2)(i) or 40 C.F.R. Section 52.24(f)(5)(i) and/or the permitting requirements of the Delaware Regulations Governing the Control of Air Pollution.

2. Under a PPA, Delmarva shall purchase up to ~~200~~400 MW of capacity, energy and ancillary services. ~~The proposed sale of capacity (defined as Unforced Capacity or "UCAP" as specified in PJM's Reliability Assurance Agreement or any successor agreement) shall not be less than 50 MW for non-renewable projects and not less than 25 MW for~~In addition, Delmarva shall purchase up to [TBD] of Renewable Energy Credits ("RECs") [per] from renewable projects.¹ Capacity purchased will not exceed the UCAP delivered to PJM contract capacity under the PPA from the New Generation. Proposals for New Generation capable of delivering UCAP capacity and energy in excess of that Capacity sold under the PPA are acceptable where the bidder recognizes that less than 100% of the UCAP capacity and associated energy from the New Generation would be purchased by Delmarva.
3. ~~The level of energy purchased under the PPA shall be consistent with the type of capacity proposed (e.g. baseload, intermediate, peaking, or load-following). Energy from renewable capacity may be limited by the anticipated capacity factor of the type of renewable resource.~~
3. ~~4-~~Bidders may offer terms for the PPA for a minimum of 10 years and a maximum of 25 years.

¹ For purposes of this RFP, a renewable project is a project which is an "eligible energy resource" under the Renewable Energy Portfolio Standards Act of 2005, 26, Del. C. 352. □

4. 5-Bidders will provide a non-refundable bid fee of \$10,000 at the time that bids are submitted. For projects less than 50 MW in size, the bid fee will be \$200 per MW with a minimum non-refundable bid fee of \$500. A bidder may propose up to three different variants for each bid deposit per proposed generation resource with respect to price or price formulas, contract term, guaranteed completion dates, contract size or other variables.

Delmarva is seeking proposals for a project or combinations of projects providing capacity and energy that are cost-effective, that offer rate stability to SOS customers, and that satisfy other criteria specified in this RFP. This RFP describes Delmarva's request and provides information and instructions to prospective bidders.

1.2 GENERATION TECHNOLOGY AND TYPE

As specified in the Act, Delmarva will favor projects that offer cost-effective alternatives for price stability, long-term environmental benefits to the State, fuel diversity, improved reliability in Delaware, and utilize new or innovative baseload technology, brownfield or industrial sites, and an existing fuel and transmission infrastructure, among other factors. Commercial operation dates prior to June 1, 2013 will be viewed more favorably.

1.3 LICENSES, PERMITS AND APPROVALS

Projects contracted under this RFP must receive all applicable local, state and federal licenses, permits, and approvals prior to commencing operation and sales to Delmarva. Under the PPA, many of these approvals will be required at interim stages of project development to provide assurance of project viability and desirability. It is the responsibility of the project developer to obtain all such approvals.

1.4 LOCATION

This solicitation is open to New Generation projects proposing to be located in the State of Delaware, either inside or outside Delmarva's service territory. For New Generation in or on Delaware's jurisdictional portion of the Delaware Bay or the Atlantic Ocean, whether the waters of the State of Delaware or the Waters of the United States or within its Exclusive Economic Zone from 12 to 200 Nautical Miles, "in Delaware" shall mean that the New Generation's power cables make landfall within the State of Delaware and originate in Delaware and/or Federal waters only.

1.5 PRODUCTS PURCHASED

The bidder will be contractually committed to deliver energy, capacity and ancillary services (and, if applicable, REC's) under the PPA, and to develop and construct the New Generation proposed.

Delmarva is interested in obtaining incremental UCAP (as defined in PJM's Reliability Assurance Agreement or any successor agreement) in its purchases from the facility that would allow Delmarva to receive credit for the UCAP delivered to PJM. For wind and other intermittent renewable energy projects, Delmarva will contract to pay winning bidders only for the amount of capacity from the facility for which PJM will give Delmarva capacity credit. ~~The amount of UCAP that will be paid for is the amount of incremental UCAP that PJM assigns to the project and, if PJM has not assigned a UCAP amount at the time a PPA is executed, the PPA will allow for an automatic adjustment to amend the contractual UCAP amount to the level which PJM assigns, not to exceed 200-MW.~~ The delivery point of this ~~For other projects, Delmarva will pay the lesser of the contracted capacity and the amount of summer net capability determined under PJM rules, as adjusted based on the availability of the Project. The availability adjustment mechanism will be like UCAP in that it will take into consideration a project's equivalent forced outage rate but will be structured to provide a stronger incentive for Sellers to perform at higher levels during seasonal peak periods. The delivery point of capacity is the Delaware portion of the~~ Delmarva Zone.

~~The size and form of energy contract must be comparable to the energy output expectations of the New Generation. Delmarva will structure the energy contract based on a contractual capacity factor intended to reflect the operating characteristics of the New Generation whereby the bidder is at risk for under-performance. The delivery point for energy is required to be in the Delaware portion of the Delmarva Zone. Delmarva shall not be responsible for designating proposed projects as a network resource. Projects having near-term commencement dates will be viewed more favorably.~~

"Energy" means three-phase, 60-cycle alternating current electric energy, expressed in units of kilowatt-hours or megawatt-hours.

~~The "Delivery Point" for contract energy shall be the Delmarva Zone. In the case of generation located in Delaware, the~~ Interconnection Point. ~~The~~ Interconnection Point will be the PJM bus to which the generator is electrically connected, or the closest location thereto monitored for Locational Marginal Price by PJM.

The Interconnection Point must be in the Delaware portion of the Delmarva Zone. "Delmarva Zone" means that aggregate of busses as listed on the PJM website and aggregated by Delmarva.

1.6 BIDDER SELECTION

~~After the proposal evaluation and IRP process are complete, Delmarva reserves and the Independent Consultant (New Energy Opportunities, Inc) reserve the right to select~~ recommend to the State Agencies that ~~one or more of the proposals, to select for~~ any fraction of the 200400 MW being solicited, or to select projects totaling more than 200-MW400 MW, be approved by the State

Agencies. Delmarva with the approval of the State Agencies may also reject any and all proposals or waive any formality or technicality in its treatment of proposals received. A bidder who submits a proposal does so without recourse against Delmarva and New Energy Opportunities, Inc. and its subcontractors for either rejection by Delmarva or the State Agencies or failure of Delmarva to execute an agreement with such a bidder for the purchase of electric power for any reason. The evaluation process is described in Section 2 below.

1.7 SUBMISSION OF PROPOSALS

Proposals must be finalized by December 22, 2006 and submitted to the web site described in Section 6.3. However, proposals may be submitted at any time before that date, and bidders are encouraged to do so. As part of their proposals, bidders are required to provide all the information requested in the Bidder Response Forms, Forms B through R, provided as Attachment 2. The Notice of Intent form, Form A, is due by November 22, 2006.

If a proposal is submitted by December 8, 2006, Delmarva will complete the Non-Responsiveness Test described below and notify the bidder of any deficiencies, providing an opportunity for the bidder to correct such deficiencies by December 22, 2006. When Delmarva has completed the Non-Responsiveness and Threshold Tests, bidders will be notified that their proposals shall be considered final and will automatically move to the Detailed Evaluation phase. A detailed schedule of the RFP process is provided in Section 5 below. All proposal documents become the sole property of Delmarva once submitted, with the exception of any ~~propriety~~proprietary material so marked.

1.8 REGULATORY ~~OUT~~APPROVAL CLAUSE

Delmarva has included a "regulatory ~~out~~approval" clause as a condition precedent in its model PPA that permits either party to terminate the contract in the event that the ~~Public Service Commission of the State of Delaware, the Delaware Department of Natural Resources and Environmental Control, State Agencies~~ or any other regulatory agency which claims jurisdiction over the contract either does not approve the contract in a timely manner, or modifies the contract to impose additional conditions that are unacceptable to the affected party.

1.9 RFP ADMINISTRATION

Section 6 describes the administration of the RFP, including:

- . Receipt of proposals
- . Communications
- . Documentation
- . Disqualification
- . Approval
- . Non-Discrimination

2. PROPOSAL EVALUATION

2.1 INTRODUCTION AND OVERVIEW

Both the price and non-price factors associated with all proposals received will be evaluated by Delmarva with assistance from ICF International (the Consultant). ~~Delmarva and/or an~~ The Independent Consultant will also conduct an evaluation, which will consist of performing an independent evaluation of certain aspects of the proposals and reviewing Delmarva's evaluation of other aspects of the proposals. An affiliate of Delmarva may submit proposals, which will be evaluated under the same evaluation process as all other proposals, as identified in this RFP, and shall not receive any favorable treatment. Should an affiliate of Delmarva provide a notice of intent to submit a proposal, Delmarva will follow the procedures identified in Section 2.6. Delmarva itself may not submit a proposal pursuant to this RFP. The RFP development, evaluation criteria development, and evaluation processes are designed to ensure a fair, unbiased review of all proposals.

2.2 PROPOSAL EVALUATION PROCESS

~~The proposal evaluation process will culminate in the selection of an approved bidder(s), subject to the results of the Company's IRP. Result in evaluation reports to be provided by Delmarva and the Independent Consultant to the State Agencies, which reports will contain the recommendations of Delmarva and the Independent Consultant. As part of this process, Delmarva will evaluate high ranking proposals in the context of the Company's IRP, which is to be filed with the Commission on or before December 1, 2006. The IRP process will evaluate available supply and demand-side options during a ten (10)-year planning period in order to provide efficient and reliable resources required over time to meet its customers' needs at a reasonable cost. The IRP will be amended after its filing date with the results from the RFP. If the winning proposal(s) results in a more cost-effective IRP, Delmarva will then~~ Delmarva will make available to the State Agencies in a timely fashion both its evaluation of the proposals in response to the RFP and its evaluation of their fit in the context of the IRP. To the extent there are outstanding issues not previously resolved as part of the detailed evaluation process, Delmarva will negotiate with bidder(s) to ~~execute~~ finalize a PPA.

The proposal evaluation process will be comprised of four steps. The first two steps are: the Non-Responsiveness Test and the Threshold Test. Only proposals which pass these two tests will proceed to the next steps. The third step will be a detailed Price and Non-Price evaluation (the Detailed Evaluation) of all remaining proposals. As the fourth step, ~~Delmarva, if consistent with the IRP findings, will inform four Delaware public agencies of its choice(s), and those public agencies may review Delmarva's selection(s). These public agencies include the: 1) Public Service Commission; 2) Office of Management and Budget; 3) Controller-General's Office; and 4) Energy Office.~~ and the Independent Consultant will provide evaluation reports containing their recommendations to the State

Agencies. These agencies are expected to make their decision by February 28, 2007. If the ~~public agencies~~ State Agencies approve, Delmarva will receive authority and direction to sign a PPA with that bidder(s), ~~subject to the results of the IRP process and a final Delmarva decision.~~

The purpose of each step that Delmarva will carry out and the process employed in each step are described in the following sections.

2.2.1 Non-Responsiveness Test

This first review of all the proposals received will ensure that bidders have provided all the information in the proper fashion to allow an equitable evaluation and to check that all information requirements have been met. Bidders submitting proposals by December 8, 2006 that are deemed non-responsive by Delmarva will be informed of such deficiency(ies) in time to revise their proposal by the December 22, 2006 deadline, as described in Section 5. Proposals submitted after December 8, 2006 that are ~~determined to be non-responsive will~~ may be rejected. For example, proposals may be deemed non-responsive if they have not provided all information in the Bidder Response Forms (Attachment 2), among other possible deficiencies. If information requested is not available at this time, bidders should indicate that in their response and should also state when or if the requested information would become available. Delmarva reserves the right to request bidders to respond to clarifying questions or information requests regarding their proposals. Bidders will be given a fixed number of days (3 business days unless otherwise specified) to respond to such requests. Failure to respond within the prescribed time requirements will mean the bid is non-responsive and would not be eligible for the detailed evaluation.

2.2.2 Threshold Requirements Test

~~Delmarva will examine every~~ Every proposal received will be examined to determine if the proposal fulfills the Threshold Requirements below. Each proposal must meet the Threshold Requirements to be eligible for Detailed Evaluation. Failure to meet any Threshold Requirement will result in the proposal being eliminated from further consideration. In addition, bidders are required to provide additional information in these and other areas in the Bidder Response Forms, Attachment 2.

There are a number of Threshold Requirements, including:

Filing - Each Bidder must submit the required Notice of Intent by 5 PM prevailing Eastern time, November 22, 2006.

~~Credit-~~ This requirement has three sub-parts:-
Credit- Bidders are required to meet the Credit threshold as listed below. Bidders can meet the credit threshold in one of two

ways. Under the first option, bidders must meet the three conditions listed as follows:

- 1) Each bidder must demonstrate that it has sufficient financial wherewithal to finance the project(s) being proposed. This may include evidence of the bidder's credit rating, short-term debt rating, total net worth, financial statements, liquidity and financial stability. Bidders must identify any prior project or corporate defaults, under the present or prior company names.
- 2) The net worth of the bidder must be at least as large as the total capital that will be required for this project.
- 3) Bidders and/or guarantor must have an investment-grade rating for senior unsecured debt from Standard & Poors, Moody's or Fitch Ratings (other rating agencies shall not be accepted). If there are differences, the rating used shall be the lowest of those assigned by one of these rating agencies. In the case where the bidder is not currently rated by Standard & Poors, Moody's or Fitch and a guarantor having an investment-grade rating is not provided, bidder must demonstrate to the satisfaction of Delmarva that they have the financial standing equivalent to an investment grade rating.

Under the second option, the bidder must demonstrate that it can meet the following two conditions:

- 1) The bidder must provide a reasonable showing of its ability to finance its proposed project based on past experience and a sound financial plan identifying the proposed sources for debt and equity, and a letter from a financial institution indicating the project is financeable. Bidders must also provide a financial pro forma for its project.
- 2) The bidder must demonstrate its ability (and/or that of its credit support provider) to provide the required security, including its plan for doing so (indicating type of security the bidder proposes, sources of security, and a description and financial statement of its credit support provider, if applicable).

Accounting- Delmarva, related to non-affiliated third-party bids, is unwilling to be subject to accounting and tax treatment that results from Variable Interest Entity treatment as set forth in Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003) as issued and amended from time to time by FASB.

All bidder proposals will be assessed for appropriate accounting and/or tax treatment. Bidders shall supply Delmarva with all the information necessary to make such assessments. Such information may include, but is not limited to, data supporting the economic life, the fair market value, executory costs, non-executory costs, and investment tax credits or other costs (including debt specific to the asset being proposed) associated with the bidder's proposal. Bidders should provide all the information requested in Form O as well as any other information or documentation which the bidders deems relevant to demonstrate that the proposal will not trigger consolidation resulting from Variable Interest Entity treatment. [Delmarva should provide some guidance as to standards it plans to use in making assessments on Variable Interest Entity treatment]

Siting- The bidder shall demonstrate that it has identified a site for ~~capacities~~ its proposed project, and, if not owned by the bidder at time of Proposal submittal, shall demonstrate its ability to acquire or secure use of the site by holding a purchase option or a binding letter of intent from the site owner(s). For an offshore wind energy project, the bidder must (a) provide evidence of written requests from the bidder to the appropriate federal and state agencies to begin permitting and licensing the specific offshore site(s) for which the proposal is being made and (b) demonstrate the feasibility of securing necessary federal and state permits and licenses.

Environmental- The bidder shall identify all required permits, provide a reasonable schedule for acquisition of all necessary permits and demonstrate provide a reasonable demonstration of its ability to comply with all applicable environmental laws and regulations. In addition, the bidder shall provide a complete development and construction schedule for the proposed project.

Engineering- The bidder shall provide a preliminary engineering study that includes: (1) general arrangement and plot plan showing evidence of the current zoning classification of the site and any necessary rights-of-way, size, fuel supply route, fuel storage, cooling source, waste disposal, interconnection point, etc.; (2) specific type of generation technology to be used; and (3) associated emission control equipment required to satisfy environmental regulations.

Contract- The bidder agrees with the Term Sheet provided as Attachment 1 to this RFP, which identifies key contractual terms and conditions that Delmarva considers to be non-negotiable. Bidders submitting a Notice of Intent shall receive access to a Power Purchase Agreement for review at least one month before bids are due. There will be an opportunity for bidders to suggest changes to PPA provisions other than those identified in the Term Sheet. However, if proposed changes are made that on the whole change the fundamental risk allocation set forth in the term sheet and such changes are not subsequently withdrawn at the request of Delmarva, the proposal will be subject to disqualification.

Security- The bidder must agree to post security/collateral, as described in Section 3.4 below and in the PPA. Further, Delmarva will not accept proposals that require Delmarva to post margin on behalf of the project.

2.2.3 Detailed Evaluation

The Detailed Evaluation ~~will~~may lead to the selection of a proposed project(s) ~~for inclusion in the Company's IRP~~ that may result in the final negotiation of a power purchase agreement(s). Bidders that provide proposals under consideration in the Detailed Evaluation may be contacted if Delmarva has requests for information. During the Detailed Evaluation both price and non-price factors will be considered simultaneously and weighted at **60% and 40%**, respectively. Non-price factors fall into two groupings with the non-price weighting divided equally between the groupings: those pertinent to favorable project characteristics (20%) and those pertaining to project viability (20%). Bids will be evaluated both with respect to overall score and as to their score in the three major evaluation areas—price/economic, project characteristics, and project viability. Following the Detailed Evaluation, Delmarva may negotiate with the remaining bidders to obtain better terms and mutually advantageous changes to proposals. These negotiations and a bidder's flexibility in negotiating will influence the selection of "winners".

The price factors, the non-price factors and the relative weighting between price and non-price factors to be used in the Detailed Evaluation are provided in sections 2.3 and 2.4 below.

2.3 PRICE FACTOR EVALUATION [60 Points out of 100 Possible]

All proposals will be evaluated on price and operational performance factors in the Price Evaluation through simulation of the impact of the proposal on the costs paid by Delmarva's SOS customers. ~~As explained in the Point Assignment section below, the proposal with the lowest and most stable cost shall receive 100% of the points available for the Price Evaluation, and all other bids will be sealed to that proposal.~~

Delmarva will consider the following components of SOS cost:

- PPA Capacity Price
- PPA Energy Price
- Residual SOS Cost Impact
- T&D Project Impact
- Transmission Losses
- Imputed Debt Offset
- ~~Loss under Probability of Default~~
- Costs to comply with the Delaware Renewable Portfolio Standard

- All proposals will be evaluated for their effect on total Delmarva SOS costs, both through changes in the market prices and the provision of energy and capacity. Further, the evaluation will consider the expected cost and variation in the expected costs. Delmarva will provide ~~2/3 of the 38 points (40 points)~~ for the lowest expected price and will provide ~~1/3 of the 15 points (20 points)~~ for the project(s) that provide the most stable prices, as captured in the uncertainty component of the PPA Energy Price, and Residual SOS Cost and the Loss under Probability of Default. [Delmarva should provide some description regarding the proposed approach for calculating price stability in the RFP document]. These items measure the extent to which Delmarva's SOS customers are at risk for price fluctuation, and Delmarva shall rank proposals according to the magnitude of this risk. Among other possible measures, Delmarva expects to use the levelized cost per kWh (or levelized cost relative to the projected market price) and the dollar magnitude of risk for Delmarva SOS customers.

In addition, five points will be assigned based on the level of exposure that would result for Delmarva and its SOS customers based on the proposed contract size and other factors (see Section 2.38).

The remaining 2 price points will be allocated to the project(s) that best conforms to the Contract Terms criterion.

In short, out of the 60 points to be awarded in the price evaluation:

- 38 points will be awarded to the project with the lowest expected price
- 15 points will be awarded to the project with the most stable price
- 5 points will be awarded to the project(s) that provide the desired degree of exposure to Delmarva's SOS customers based on contract size and other factors
- 2 points will be awarded to projects with the most favorable contract terms

2.3.1 PPA Capacity Price

The Bidders shall have two options for submitting the capacity price component of their bid. First, the bidder shall have the option to provide Delmarva with a levelized Capacity price in dollars per kilowatt month (\$/kW-month). Variable capacity payments shall not be acceptable. for the entire term of the contract. Second, bidders shall have the option to bid a combination of fixed levelized capacity prices and indexed prices. A bidder may bid a portion of the capacity price to recover fixed operations and maintenance costs. The bidder could bid a base price for this capacity component that would escalate in accordance with a commonly used index for general inflation or for labor costs. In addition, a bidder could bid a portion of the capacity price that would be indexed to a steel price index (steel is a major cost component of power plants), but for only up to fifteen percent (15%) of its initial proposed capacity charges and for only such period of time until the bidder signs a firm agreement on pricing for major capital equipment not to exceed two years at which time, the capacity price would be fixed for the remainder of the contract term; provided, the bidder must provide Delmarva with a not-to-exceed price for this portion of its proposed capacity charge. This pricing mechanism would allow a bidder to share some capital cost price risk until the time when a construction contract would be executed. Use of any particular index shall be subject to the approval of Delmarva and the Independent Consultant.

Capacity may be provided only from the bidder's project(s), and must be reliable as determined by whether it qualifies would qualify for UCAP (upon being constructed) in PJM at the time the PPA is signed. Capacity Price reflects payments Delmarva would make to the project owner for having the generating capacity available to provide electricity to Delmarva, regardless of the number of operating hours or the level at which the project is dispatched. As Delmarva is a summer peaking utility, Capacity Prices must be based on a net summer capacity basis. All With the exception of wind projects and other intermittent renewable energy projects (hydro and solar), all projects bid will be evaluated at the target equivalent availability specified by the bidder, unless in Delmarva's judgment, the target availability specified is higher or lower than the proposed generation technology or facility design. If PJM has not assigned

~~a UCAP amount at the time a PPA is executed, the PPA will allow for an automatic adjustment to amend the contractual UCAP amount to the level which PJM assigns, not to exceed 200 MW. Intermittent renewable energy projects will be evaluated based on their projected capacity factor specified by the bidder, unless in Delmarva's judgment the targeted capacity factor is unreasonably high or low.~~

2.3.2 PPA Energy Price

Bidders shall be paid for energy based on the price offered in cents per kWh. This (or \$ per MWh). The Energy Price may consist of one or more components. The components may consist of a starting price plus an escalator (see Section 3.1), or other means of demonstrating the energy price that Delmarva will pay for energy on an hourly or other basis. Any escalators or indices selected must be known and measurable. Bidders should contact Delmarva if the bidder is not certain whether a proposed index is allowable or if the bidder wants to recommend a specific index. Delmarva will review such request and inform all bidders whether the proposed index is an allowable index. This process will also apply to any indices that might be applicable to the capacity price.

As with the capacity price, this price shall be discounted back to the present to develop a common basis for comparison between project(s). For proposals that depend – in whole or in part - on the PJM market price for power, Delmarva shall calculate the relevant future prices and assign them to the project(s).

The amount of energy to be purchased by Delmarva will not exceed the amount that the New Generation facility could generate at its full nameplate rating or ~~200~~400MW, whichever is less.

2.3.3 Residual SOS Cost Impact

This is the impact (positive or negative, expense or savings) that each proposal is projected to make on Delmarva's total system SOS costs. This factor will take into consideration the cost of other sources of power that Delmarva will use to satisfy the needs of SOS customers once the proposed project(s) comes on line.

The Residual SOS Cost Impact will be estimated using computer models to simulate Delmarva's system with both existing and new generating units. Proposed projects will be modeled individually and potentially in combination to determine which proposals offer the greatest cost savings. The Bidder Response Forms in Attachment 2 require the bidder to provide

information that will support this analysis. Supply additions in excess of the contracted quantity will be evaluated in this analysis.

The Residual SOS Cost Impact will be determined by combining a project's impact under a base scenario with high and low price scenarios to determine the effects of prices that are higher and lower than those anticipated. [Note: Delmarva should provide further explanation as to how the low and high price scenarios will be factored into the evaluation.] Also, Delmarva will take price variability into account in the Detailed Evaluation. [Note: Delmarva should provide further explanation].

2.3.4 T&D Project Impact

T&D Project Impact represents the savings or expense a project causes Delmarva to incur by allowing Delmarva to defer or causing Delmarva to advance planned capital improvement expenditures to its transmission and distribution system. The T&D impact will provide a quantitative measure of the impact on system reliability and overall planning implications. The cost of any incremental network transmission cost or savings will be added to the cost of the proposal for purposes of Price Evaluation. This analysis will also assess the benefit or cost of other transmission projects that would be deferred or accelerated as a result of the proposed project(s).

Based on information submitted by November 22, 2006, Delmarva will prepare a preliminary evaluation of the impact of the project on the need for network transmission upgrades. Delmarva will analyze the impact of the generation project using PJM long-term planning load flow cases. To support this analysis, bidders are required to provide certain transmission-related information, including the interconnection point and the transmission voltage level at which they intend to interconnect to the network. Bidders shall provide this information with their Notice of Intent.

Delmarva will assume that bidders will include the cost of direct interconnection at an appropriate substation in their proposals, but unless otherwise indicated, will assume that the cost of network upgrades has not been included.

The evaluation of transmission impacts by Delmarva will be preliminary and used for bid evaluation only. Bidders will be required to submit an application to PJM for feasibility and impact studies and follow the PJM queuing process to determine overall system impact. Costs for electrical interconnection and upgrades are the bidder's responsibility.

2.3.5 Transmission Savings or Losses